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Jitec appoints new CEO, adjusts board

Former HP executive takes helm; firm says ex-boss Laliberté has repayed advances

BY BERTRAND MAROTTE, MONTREAL

Troubled **Jitec Inc.** appointed a new chief executive officer and announced a major board shuffle yesterday.

The Montreal-area high-technology startup also said former CEO Benoît Laliberté has repaid on time $865,000 in unauthorized advances he received from the company.

Replacing Mr. Laliberté as CEO is Alex Delisle, a former senior executive with **Hewlett-Packard Canada Inc.** of Mississauga.

Jitec, once a stock market darling, has been shaken by a financial scandal that includes allegations of improper trading by Mr. Laliberté.

Mr. Delisle said in an interview yesterday that he resigned from HP last week to take on the challenge of putting Jitec back on track. "I'm not going to sit here and say it's going to be easy. I believe I have the credibility in the marketplace and will be able to attract high-calibre people to the firm."

He said he believes Jitec, which leases no-frills computer terminals that provide high-speed Internet access and other sophisticated functions, has "a quite unique technology, and I've been exposed to quite a few."

Jitec also said that four members of its board — René Arbic, Eric Bonneville, René Branchaud and Paul Mafficotte — have stepped down. They were all on a special committee the board set up two months ago to protect the interests of minority shareholders.

The four new directors are Mr. Delisle; former telecommunication company executive Yves Courtnoyer; Denis Durand, a senior partner at high-profile portfolio manager Jarislowsky Fraser Ltd.; and corporate communications consultant Alain Lavigne.

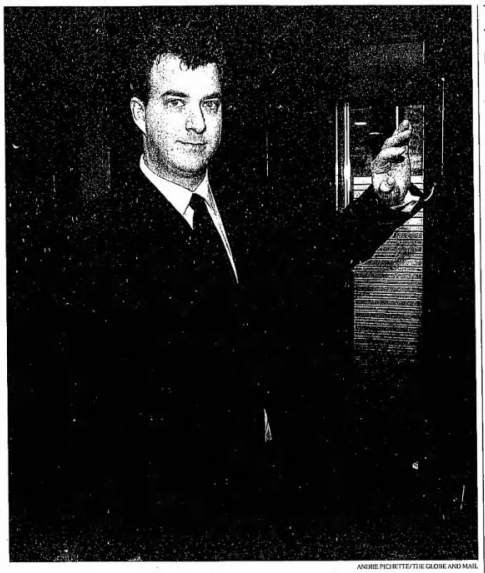
Mr. Laliberté — Jitec's founder — resigned last month after the company revealed the unauthorized advances, as well as an additional $1.2-million in obsolete inventory and other short-term assets that were transferred to companies connected to him.

The $1.2-million is to be repaid in monthly installments over six months. Yesterday was the deadline for repaying the $865,000.

Mr. Laliberté, who owns 38.7 million of Jitec's 53.8 million shares, reiterated in a statement yesterday that "all these transactions were carried out in the interest of Jitec and its shareholders and never for my own personal gain."

The Quebec Securities Commission has barred Mr. Laliberté from trading in Jitec stock, and a QSC investigation continues into various trading activities and transfers of Jitec shares to other parties.

Jitec shares soared to the $10-range only weeks after it went public at $3.80 on the Montreal Exchange on July 26 in a reverse takeover of a small mining company listing.



ANDRE PICHETTE/THE GLOBE AND MAIL

Former Jitec CEO Benoît Laliberté has said that unusual trading patterns in the company's shares were largely because of short-sellers, who profit when a stock's value drops.

At midday yesterday when they were halted on the ME, the shares were at $1.16, up 23 cents or almost 25 per cent.

Mr. Laliberté has said in previous statements that unusual trading patterns in Jitec shares were largely because of short-sellers, who profit when a stock's value drops.

The shares plummeted over the past few months on various news reports and negative developments, including a cease-trading order from the ME that led to Jitec revising a public statement about major deals it had signed. The deals turned out to be only letters of intent.

Nortel delays Antec deal

NORTEL *from page B1*

Nortel will emerge with a 46.5-per-cent stake in the new company, which is to be called Arris Inc.

Antec had lined up $550-million in bank financing to cover the cash portion, but said yesterday that this has fallen through because of what it called "changes in industry and financial market conditions."

Jim Bauer, a spokesman for the company, said it and Nortel are exploring "all options" to replace the financing, including cutting a new deal with the same bank that has backed away.

Although Mr. Bauer would not name the institution, one analyst told Bloomberg News it was Bank of New York.

Among other possible options, analysts said, would be for Nortel to take the entire purchase price in shares or finance the cash portion itself, although Mr. Chamberlin refused to comment on this.

The deal was worth a total of $983-million, based on the $19.94 closing price of Antec's shares on the Nasdaq Stock Market the day before it was announced.

However, Antec's stock price has collapsed since then, dragged down first by weaker-than-expected third-quarter results. It was initially hit again yesterday, when it revealed it will report a loss in the fourth quarter, partly because of a delay in shipments to its largest customer, AT&T Corp. of San Francisco. The stock fell to as low as $7.50 a share, before rallying to close at $7.94, up 19 cents, putting a total value on the Nortel deal of $587-million.

Nortel's shares, meanwhile, closed at $39.19 apiece on the New York Stock Exchange, up 44 cents from Thursday's finish, having recovered after first dropping to $36.31. On the Toronto Stock Exchange, they closed at $58.60 (Canadian) each, down 30 cents.

One analyst said the delay in the Antec deal is a "wash" for Nortel and suggested the Brampton, Ont.-based company may just take a bigger chunk of equity if Antec can't raise the cash.

By contrast, he said, such a move would be "negative" for the U.S. company's shareholders, because Antec would have to issue the additional equity "at a much lower price."

However, another analyst, Paul Sagawa of New York investment dealer Sanford C. Bernstein & Co. Inc., said he doubts Nortel will accept more Antec shares in lieu of cash unless it gets "desperate" to close the deal. "But I think for the moment they'll wait," Mr. Sagawa said, adding that "Nortel is more optimistic about this market than we are."

Bank lending to the telecommunications sector — Nortel's core market — where an orgy of capital spending has been under way to feed the burgeoning Internet market, is a growing concern to regulators and investors.

Despite assertions by a number of analysts that this spending is almost certain to slow, Nortel has repeatedly stated — most recently on Thursday — that it expects to meet aggressive growth targets it has set for the rest of 2000 and next year.

However, the postponement of its deal with Antec suggests the company may get sideswiped by the credit crunch.

"Our opinion is that they are very vulnerable to it," Mr. Sagawa said. Noting that Nortel indicated that more than 40 per cent of its third-quarter networking revenue came from new and emerging carriers, those most likely to get frozen out by lenders, he added: "in the old days of nine months ago, that was considered a real strength. Now it's considered a vulnerability."

As for the shelf registration filed yesterday for additional long-term debt, Nortel's Mr. Chamberlin said the move "doesn't necessarily mean we're planning to immediately withdraw it."

The company would use the proceeds for "general corporate purposes" and filed the registration now "so that we can expedite the process if we choose to issue additional debt . . . when the financial markets are favourable," he said.

Just a few weeks ago, Nortel quietly tweaked the $2-billion (U.S.) commercial paper program it has in place to raise short-term debt, removing a cap that had limited the amount it could raise in the United States to $400-million.

Although the company has paid for a blitzkrieg of acquisitions it has mounted over the past two years almost entirely by issuing shares, a regulatory filing for the revised program suggests it may be thinking of using at least some debt to finance future purchases.

BCSC fines FundEx Investments again for not being registered

BY PETER KENNEDY, VANCOUVER

FundEx Investments Inc. of Markham, Ont., has been fined $70,000 by the British Columbia Securities Commission for trading mutual funds and accepting clients in the province without being registered to do so.

News of the settlement comes just weeks after FundEx agreed to pay a total of $65,000 in fines to the Alberta and Saskatchewan securities commissions for doing business in those provinces without being properly registered.

In the settlement with the BCSC, FundEX agreed it opened mutual fund accounts for at least 286 B.C. clients and made trades worth more than $1.3-million on their behalf, even though it wasn't registered in B.C. in any capacity. The trades earned FundEX $60,000 in commissions since January, 1999.

In an investigation into FundEX's activities, the BCSC found that the company also traded securities in Quebec, Nova Scotia and Prince Edward Island between August, 1995, and July, 2000, without the proper authorization.

A FundEx employee in Markham said yesterday that it was up to the company's president Robert Goodish to comment on the settlement. However, he said Mr. Goodish was not available.

BCSC spokesman Dean Pelkey said FundEX's problems may stem from a lack of proper internal supervision rather than any attempt to intentionally flout provincial securities laws.

"Someone in FundEX's offices didn't pick up on the fact that the company had 286 clients in B.C. without being registered," he said. "Normally a compliance office would pick that up."

In reaching the settlement, Mr. Pelkey said the BCSC took into the account the fact that it has received no complaints from any of the company's B.C. clients. Under its arrangement with the BCSC, FundEx has agreed to apply to become registered in B.C. and will be allowed to provide services to its existing clients until Jan. 31, 2000.

DURA

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(www.duraauto.com)

NEWFOUNDLAND LIQUOR CORPORATION

REQUEST FOR PROPOSALS

The Newfoundland Liquor Corporation (NLC), a provincial crown Corporation responsible for controlling the sale and distribution of beverage alcohol in the province of Newfoundland, requests proposals on the design and implementation of a Point of Sale (POS)/Communications System for its Corporate outlets located throughout the province.

Detail specifications on the systems requirements, as well as other stipulations of this Request for Proposals, may be obtained by contacting:

Mr. Jim Beehan
Director, Store Operations
Newfoundland Liquor Corporation
P.O. Box 8750, Stn."A"
90 Kenmount Road
St. John's, NF
Canada
A1B 3V1

Phone: (709) 724-1138
Fax: (709) 724-1266
E-Mail: jbeehan@nfliquor.com

Proposals will be accepted up to 12:00 noon, Newfoundland standard time, on Friday, January 26, 2001. The NLC does not, by virtue of this Request for Proposals, commit to an award of this project, nor does the NLC limit itself to accepting the lowest cost proposal submitted.

MDS beats estimates, posts record profit, revenue for 2000

But 4th-quarter loss at European unit larger than expected

BY LEONARD ZEHR
BIOTECHNOLOGY REPORTER.

Health sciences giant **MDS Inc.** has reported record profit and revenue for the fiscal 2000 year, beating a consensus of analysts' estimates, but says losses in its European clinical research operations were greater than expected in the fourth quarter.

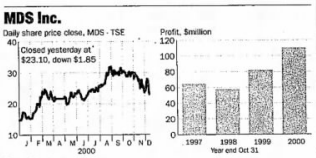
The company said yesterday it had a profit of $110.3-million or 86 cents a share in the year ended Oct. 31, 2000, up 35 per cent from $81.9-million or 70 cents a year ago.

Revenue rose 21 per cent to $1.44-billion from $1.19-billion.

Fourth-quarter profit was $36-million or 31 cents a share on revenue of $404-million. The company didn't provide comparable year-earlier figures.

Analysts polled by First Call/Thomson Financial were expecting earnings of 21 cents a share for the quarter and 81 cents for the year.

Toronto-based MDS inherited a clinical research arm in Europe this year with its $500-million acquisition of Phoenix International Life Sciences Inc. of Montreal.



The acquisition made MDS the third-largest clinical research firm in the world and No. 1 in the early stage drug development business. However, its European arm largely conducts late-stage research, which has come under pressure from cancelled contracts as drug companies consolidate.

In a conference call with analysts, chief financial officer Gary Goertz said the company was unable to record the tax impact of its losses in Europe against higher-than-expected profits in North America from its clinic research business.

"We are refocusing the operations in Europe but the impact will not pay off until later in 2001," he said.

President and chief executive officer John Rogers said MDS will continue to make new investments in 2001, such as MDS Proteomics Inc., in order to achieve its target of at least 15-per-cent compound growth in earnings and revenue, even though short-term results could be affected.

MDS still intends to take its highly touted proteomics unit public before March 31.

MDS Proteomics spent $12.6-million on research and development and startup costs last year, which cut MDS Inc.'s profit by 5 cents a share. Mr. Rogers said capital and operating expenses for MDS Proteomics will hit an estimated $60-million this year.

Daimler extends Ont. plant shutdown

AUBURN HILLS, MICH.

DaimlerChrysler AG's plant in Bramalea, Ont., is among four North American plants the auto maker will close for the first week of the new year in order to balance vehicle inventory.

The Bramalea plant was shut for two weeks in November, and is also scheduled to be closed next week. It's where 4,200 Canadian Auto Workers build Intrepid, LHS, 300M and Concorde sedans.

The firm said yesterday that it will also close its Jefferson North plant in Detroit; the Dodge City, Warren Truck plant in Michigan; and its plant in Toledo, Ohio.

The plants make the Chrysler Concorde, Jeep Grand Cherokee, Dodge Ram, Dodge Dakota and Jeep Wrangler models.

DaimlerChrysler sets its production schedule on a weekly basis.

Sales for auto makers have slumped on both sides of the border, leading firms to slash production and warn of lower profits.

Canadian sales dropped 4 per cent in November to 115,079 vehicles from 119,547 a year earlier, the second-consecutive monthly decline. U.S. sales also fell for the second month.

Most analysts expect North American vehicle sales to decline to between 17 million and 17.3 million units in 2001, down from the expected 18 million units this year.

Dow Jones Service

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